

TO : Chief, Intelligence Information Staff, ORR 17 October 1956
25X1A9a
ATTN : [REDACTED]
THRU : Chief, Services Division
FROM : Chief, Trade Branch
SUBJECT: Proposed Visit of 25X1A9a to 25X1A6a

25X1A6a 1. Permission is requested for 25X1A9a to visit 25X1A6a to discuss ORR requirements on international banking and ORR interest in the role Swiss banks play on behalf of the Soviet Bloc countries. 25X1A9a is particularly interested in discussing the current foreign exchange difficulties of the European Satellites and in being able to estimate in rough terms the size of the commercial debt owed by these countries to Western banks and their annual interest payments on such debt. Swiss banks are very important in financing East-West trade, but the Swiss bank secrecy laws have limited the reporting from Switzerland.

2. Specific interests are outlined below for field guidance:
a. General International Banking Requirements:

Background

(1) Western European banking institutions are engaged in many financial activities related to trade with countries of the Sino-Soviet Bloc. In the field of non-strategic trade, such activities include maintaining accounts, extending credits for the purchase of goods, serving as a repository for gold, and acting as an intermediary in the sale of gold on Western markets. The importance of these activities is indicated by the fact that Hungary alone is reported to have owed Western banks more than \$200,000,000 in late 1955. In the field of strategic trade, certain banks are known to or believed to finance the movement of controlled goods by indirect means.

(2) Little is known about the magnitude of Bloc accounts in Western European banks or of the commercial credit extended by Western European banks to Bloc countries. There is better knowledge of the amount of "swing" credits or debits accumulated by Western European central banks under payments agreements with Bloc countries, but a large share of East-West trade is financed through Western European commercial channels. This includes Bloc trade with the Western under-developed countries. Vienna, for example, is reported to be an important financial center for such trade. In addition, there is the possibility that accounts in legitimate banks are used as a channel of funds for espionage or other illegal activities.

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(3) Certain West European banks and financial houses play a role in Soviet Bloc gold sales. The most prominent of these is [REDACTED] claims to handle 80 to 90 percent of Soviet gold sales. It is not known, however, whether [REDACTED] is correct in this claim. The Banque Commerciale Pour L'Europe du Nord in Paris is also believed to be involved in these gold sales, and a number of gold traders such as the Union Bank of Switzerland may deal at times in Soviet or Satellite gold. In addition, gold is often deposited with Western European banks by Satellite central banks as security for credit.

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(4) In connection with Soviet gold sales, there is a need for additional information on gold bar markings. Efforts to exploit information of this type have proved partly successful but a larger and more random sample is needed.

Requirements

(5) Bank balances and credits.

(a) Bloc country bank balances of over \$1 million maintained in Western Europe.

(b) Reportant used of such bank balances -- large trade transactions, particularly those involving Free World underdeveloped countries, payments to local Communist parties, etc.

(c) Details of the extension of credits by Western European banks to Bloc countries -- type of security, interest rate, credit terms.

(d) Are Bloc debts paid promptly? Is it often necessary to refinance outstanding credits?

(6) Gold shipments.

(a) Details of Soviet Bloc gold sales. Amount, channels followed, companies and individuals involved, currency of payment, price.

(b) Use of currency proceeds. Are they left on deposit? If so, in what banks? Are large amounts changed into cash?

(c) Are gold sales made through usual channels? OHR, for example, has no reliable information on recent Bloc gold sales to markets in the Middle or Far East.

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(7) Gold bar markings.

(a) Serial numbers, dates, and mint marks from Soviet gold bars arriving in Western markets and particularly in The Hague, Paris, Bern, and Helsinki. Photographs of the main face of each bar would ideally fulfill this requirement, but photographs of shipping documents, vault records, State Bank of the USSR letters of transmittal, etc., are acceptable.

(b) Same information from gold bars already held in those cities.

~~2. Specific interests are outlined below for field offices:~~

b. More specific requirements on operations of Swiss banks on behalf of Bloc countries: (These requirements were submitted by GFI in response to a specific ID/P request and were transmitted to the Paris station as ID-3316.)

(1) The amount of Bloc gold sold to Swiss banks in 1953, 1954, 1955 and thus far in 1956. Give country-by-country breakdown.

(2) Has the total amount of gold sold increased or decreased in the past year-and-a-half? Give reason for change.

(3) Details of the extension of credits by Swiss banks to Bloc countries.

(4) For what purpose has the foreign exchange derived from gold sales been utilized?

(5) What amount of gold or hard currency is held by these banks for the individual Bloc countries?

(6) Has the financing of East-West trade in Switzerland increased appreciably? If so, specify countries involved and details of credits.

(7) What data are available on shipping charges, insurance or other invisible payments handled by Swiss banks on behalf of Bloc countries?

c. Role of Swiss banks in Bloc trade with underdeveloped countries.

Background

(1) The blocking of Egyptian dollar and sterling holdings by the U.S. and U. K. has led to a greater reliance upon the Swiss franc in financing Egyptian foreign trade. In this connection, a recent report

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indicated that the Arabs were establishing a new bank in Switzerland for foreign trade purposes.

Requirements

(2) Details of switch from sterling and dollars to Swiss francs for the financing of Middle East trade as a result of the Suez crisis.

(3) Data on deposits in Swiss banks made by underdeveloped countries which are credited to Bloc countries; firms involved; commodities and terms of agreements; amount; currency deposited; deposits by Bloc countries credited to underdeveloped countries.

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3. [REDACTED] present itinerary is planned as follows:

1 November 1956 - Washington to London
13 November 1956 - London to Frankfurt
27 November 1956 - Frankfurt to The Hague

It is hoped that this itinerary can be expanded to include three or four days in Switzerland to discuss the requirements indicated above. December 1-4 could be reserved for this trip with an additional day (December 5) for a trip to Paris if necessary.

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RR/ST/P [REDACTED] :pcv (17 October 1956)